

Message Text

CONFIDENTIAL

PAGE 01 STATE 123823

61

ORIGIN EA-09

INFO OCT-01 ISO-00 SS-15 SP-02 INR-07 EB-07 IO-13 AF-08

L-03 H-02 OES-06 /073 R

DRAFTED BY EA/K:PRMAYHEW:JDB

APPROVED BY EA - MR. HABIB

EB - - MR. SWART

D - MR. WOOD

S/S- RWOODS

----- 113591

R 201431Z MAY 76

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 123823

STADIS//////////

E.O. 11652: GDS

TAGS: EGEN, KS

SUBJECT: DPM NAM'S CALL ON DEPUTY SECRETARY; EX-IM DISCUSSIONS

1. DPM NAM'S CONVERSATION WITH DEPUTY SECRETARY BEGAN WITH LIVELY DISCUSSION OF RECOVERY IN KOREAN ECONOMY. NAM HELD TO \$1.5 BILLION CURRENT ACCOUNT DEFICIT PROJECTION, PREDICTED NINE TO TEN PER CENT REAL GROWTH, AND A TEN PER CENT INFLATION RATE. DEPUTY SECRETARY NOTED THAT DUE TO FACT LITTLE PRODUCTIVE CAPACITY ADDED BY RESOURCE PRODUCING COUNTRIES DURING RECESSION, WE MAY LATER SEE SHORTAGES AND INFLATIONARY RISE IN BASIC COMMODITY PRICES AS WORLDWIDE RECOVERY GAINS MOMENTUM. NAM SAID ROKG BELIEVED IT COULD PARTIALLY CONTROL INFLATION BY SQUEEZING CREDIT, BUT IMPORT COST INCREASES POSED MORE DIFFICULT PROBLEM. IT MIGHT THEREFORE BE AN APPRO-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 123823

PRIATE POLICY FOR DEVELOPED COUNTRIES TO DISCOURAGE

HIGH GROWTH WHILE ENCOURAGING IT IN THE LDCS. DEPUTY SECRETARY SAID WE AWARE OF LDCS DESIRE FOR GREATER PRICE STABILITY AND THIS WAS ONE OF BASES OF OUR UNCTAD IV PROPOSAL FOR INTERNATIONAL BANK TO ASSURE FLOW OF DEVELOPMENT CAPITAL TO LDCS. WE HOPED ROK WOULD SEE POSITIVE ASPECTS OF THIS AND OTHER UNCTAD PROPOSALS. NAM SAID HE THOUGHT NAIROBI INITIATIVES WERE MOVING IN RIGHT DIRECTION.

2. NAM NOTED HE HAD RAISED PROBLEM OF CCC FUNDS WITH SECRETARY BUTZ (SEPTEL) AND MENTIONED CONCERN WITH PROPOSED LEGISLATIVE AMENDMENT LIMITING PL-480. MR. ROBINSON SAID WE STILL HOPED TO BE ABLE TO PROVIDE THE ROK WITH THE REQUESTED PL-480 ASSISTANCE, ALTHOUGH THE AMENDMENT WAS EVIDENCE OF THE PROBLEMS ASSISTANCE TO KOREA NOW FACED WITH THE CONGRESS.

3. DPM NAM ALSO DESCRIBED HIS DISCUSSIONS WITH EX-IM TO MR. ROBINSON, NOTING THAT KOREA NEEDED PROMPT DECISIONS ON BOTH KORI I AND II NUCLEAR POWER PLANT FINANCING AND ON FINANCING OF THE COMBINED CYCLE THERMAL PLANT. HE ADDED THAT THE ROKG AND WESTINGHOUSE WOULD BOTH NOW PUSH EX-IM TO SEEK CONGRESSIONAL APPROVAL OF THE KORI II FINANCING AT THE ORIGINAL LEVEL. IN RESPONSE TO THE DPM'S REQUEST, DEPUTY SECRETARY INDICATED ONLY THAT DEPARTMENT WOULD LOOK INTO SITUATION RE EX-IM LOAN APPLICATIONS.

4. EARLIER DISCUSSIONS WITH EX-IM WERE REPORTED BY BOTH KOREANS AND EX-IM SOURCE AS BEING ALMOST EXCLUSIVELY FOCUSED ON ELECTRIC POWER QUESTIONS AND LARGELY INCLUSIVE. HOWEVER, EX-IM CHAIRMAN DU BRUL SUBSEQUENTLY TOOK DECISION TO SEEK BOARD APPROVAL OF COMBINED CYCLE PLANT. ROKG WAS INFORMED DAY FOLLOWING NAM DISCUSSIONS. KOREANS EXPRESSED SOME SURPRISE THAT FINAL DECISIONS TO GO TO CONGRESS WITH ORIGINAL KORI II COST HAD NOT BEEN TAKEN. THEY EXPRESSED STRONG DESIRE THAT EX-IM GO FORWARD TO CONGRESS. BANK TOLD NAM IT NOW HAD SERIOUS DOUBTS OF ECONOMIC VIABILITY OF ANY NUCLEAR PROJECTS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 123823

WHEN COMPARED TO THERMAL COSTS. ACCORDING EX-IM STAFF, NEITHER NAM NOR KECO REP EXPLAINED IN ANY DETAIL COSTING EXERCISE ON NUCLEAR POWER MENTIONED PARA 4 SEOUL 3480. DPM NAM TOLD DEPTOFF LATEST COST OVERRUN ESTIMATE WAS \$50 MILLION AND EXPRESSED CONFIDENCE ROKG COULD ARRANGE FINANCING. HE ALSO NOTED IMPORTANCE OF LEVERAGE IN FURTHER DISCUSSION WITH WESTINGHOUSE.

5. IN REGARD KORI I COST OVERRUN, BANK, WHICH EXPLAINED TO KOREANS THAT ITS RESOURCES NOT UNLIMITED AND MUST BE HANDLED WITH DUE REGARD FOR PORTFOLIO MANAGEMENT I.E. EXPOSURE, NOW FEELS KOREANS SHOULD FINANCE THEMSELVES. ON ROKG NUCLEAR FUEL FINANCING REQUEST, BANK WORKING LEVEL INDICATED THAT LARGE REQUEST MAY BE "TOO SOON AND TOO MUCH".

6. ABOVE ARE INITIAL STAFF REACTIONS TO DISCUSSIONS AND ARE FYI ONLY. EX-IM NOW PREPARING FULLER ACCOUNT WHICH WILL BE FORWARDED LATER.

7. DPM ALSO MET WITH WESTINGHOUSE AND GE AND REPORTED TO ASST SEC HABIB THAT BOTH DISCUSSIONS USEFUL, BUT DID NOT OFFER DETAILS.

8. DISCUSSION AT HABIB-GREENWALD LUNCH FOR NAM LARGELY GENERAL IN NATURE. IN RESPONSE NAM CONCERN OVER PL-480 LIMITATION, ASST SEC REVIEWED PROBLEMS IN CONGRESS DUE TO HUMAN RIGHTS SITUATION. NAM RAISED ROKG CONCERN WITH FISHERIES IN LOW KEY MANNER, WHICH WAS EXPANDED BY AM-BASSADOR HAHM. NAM WAS TOLD WE AWARE KOREAN PROBLEMS DUE TO NEW LEGISLATION; LEGISLATION WAS BEING STUDIED BY DEPARTMENT AND WE WOULD BE IN CONTACT WITH ROKG SOON.

9. ASST SEC GREENWALD LATER DISCUSSED KOREAN LOAN SITUATION WITH EX-IM CHAIRMAN DU BRUL. DU BRUL SAID HE WOULD SEND KORI II PROPOSAL FORWARD TO CONGRESS ON UNDERSTANDING KOREANS WOULD REVIEW FINANCING OF COST OVERRUN. HOWEVER, AFTER POSITIVE RESPONSE FROM CONGRESS PROJECT WOULD AGAIN HAVE TO COME BEFORE EX-IM BOARD. AT THAT TIME EX-IM WOULD WANT TO BE SATISFIED THAT ROKG HAD CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 123823

FOUND FINANCING FOR COST OVERRUN OR WOULD UNDERTAKE IT ITSELF. FYI ONLY: WE UNDERSTAND LATEST WESTINGHOUSE ESTIMATE OF COST OVERRUN FOR US PORTION OF KORI II IS \$25-30 MILLION. FIGURE OF \$50 MILLION GIVEN BY NAM PARA 4 ABOVE MAY THEREFORE BE TOTAL COST OVERRUN.

10. SUBSEQUENTLY EX-IM HAS INFORMED US THAT CHAIRMAN DU BRUL SENDING LETTER ON KORI II TO CONGRESS MAY 19. LETTER STATES THAT EX-IM HAS RECEIVED ASSURANCES THAT SAFEGUARDS AND RELATED NON-PROLIFERATION ARRANGEMENTS ARE SATISFACTORY AND ENCLOSES COPY OF DEPARTMENT LETTER TO EX-IM OF LAST FEBRUARY ON THIS SUBJECT. EX-IM IS ALSO SENDING SEPARATE LETTER TO KOREAN EMBASSY INFORMING THEM OF THIS ACTION BUT ALSO NOTING THAT EX-IM NOT PREPARED TO SIGN KORI II LOAN AGREEMENT UNTIL FINANCING

ARRANGEMENTS FOR COST OVERRUN ARE REVIEWED FURTHER. ROBINSON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, ECONOMIC ESTIMATES, FOREIGN ASSISTANCE, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAY 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE123823
Document Source: CORE
Document Unique ID: 00
Drafter: PRMAYHEW:JDB
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760196-0233
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760532/aaaabayd.tel
Line Count: 170
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAY 2004 by ShawDG>; APPROVED <23 SEP 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DPM NAM'S CALL ON DEPUTY SECRETARY; EX-IM DIS- CUSSIONS
TAGS: EGEN, KS, US, XMB
To: SEOUL
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006